

Message Text

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51

ACTION EUR-25

INFO OCT-01 NEA-10 ADP-00 OMB-01 CIAE-00 DODE-00 PM-07

H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-12 SY-10 EB-11 SSO-00 RSR-01 /123 W

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P R 091437 Z JUN 73

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC PRIORITY 7080

INFO AMEMBASSY TEHRAN PRIORITY

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION NATO

AMEMBASSY REYKJAVIK

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

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TEHRAN FOR SECRETARY' S PARTY

E. O. 1162 N/ A

TAGS: PINT DA

SUBJ: POSSIBLE DANISH GOVT CRISIS

REF: COPENHAGEN 1196

SUMMARY. ANKER JORGENSEN' S SOCIAL DEMOCRATIC (SDP) MINORITY GOVT
IS

SUDDENLY FACING POSSIBILITY OF EARLY ELECTIONS BECAUSE ITS MULTI-
PARTY COMPROMISE PROPOSAL ON HOUSING POLICY HAS BEEN REJECTED BY
NON- SOCIALIST OPPOSITION PARTIES. TOP LEADERS OF SDP

AND SOCIALIST PEOPLE' S PARTY (SF) HAVE REPORTEDLY AGREED ON ALTER-
NATIVE HOUSING POLICY, MORE SOCIALIST IN CONCEPT, WHICH WILL BE
SUBMITTED TO PARTY CADRES OVER THIS WHIT SUNDAY WEEKEND.

ELEMENTS IN BOTH PARTIES MAY TAKE EXCEPTION TO NEW ALTERNATIVE.
HOWEVER, IT APPEARS THAT DESIRE TO AVOID NEW ELECTIONS WHICH COULD
ALLOW NON- SOCIALIST PARTIES, PLUS MAVERICK ANTI- TAX LAWYER

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MOGENS GLISTRUP, TO DOMINATE NEW PARLIAMENT WILL PERSUADE RESPONSIBLE OFFICIALS IN BOTH SDP AND SF TO RALLY TOGETHER BEHIND NEW PROPOSAL. CRUCIAL MEETING OF SDP EXECUTIVE BOARD IS EXPECTED AFTERNOON OF JUNE 11, JUST FEW HOURS PRIOR TO SECRETARY'S ARRIVAL IN COPENHAGEN.

END SUMMARY.

1. POSSIBILITY LOOMS OF MAJOR GOVT CRISIS DURING SECRETARY'S VISIT TO COPENHAGEN. PARLIAMENT HAD ORIGINALLY BEEN EXPECTED TO ADJOURN JUNE 8 BUT ITS SESSION HAS BEEN EXTENDED TO JUNE 15, WHICH COINCIDES WITH CLOSING DAY OF NATO MINISTERIAL.
2. EXPANSION OF NEW, SINGLE FAMILY HOUSING STARTS HAS BEEN MAJOR RECENT CONTRIBUTOR TO INFLATIONARY PROBLEM IN DENMARK. GOVT THEREFORE PROPOSED AND ALL PARTIES ACCEPTED RE- INTRODUCTION OF VALUE ADDED TAX (VAT) ON BUILDING MATERIALS AS MEANS OF INHIBITING FURTHER STARTS. CONTROVERSY AROSE, HOWEVER, OVER ALLOCATION OF REVENUE THUS GAINED, WITH NON- SOCIALIST PARTIES PRESSING FOR REDUCTION IN GENERAL PROPERTY TAXES WHILE LEFTIST SF, WHOSE PARLIAMENTARY SUPPORT IS ESSENTIAL FOR GOVT ON MOST ISSUES, ADVOCATED NEW SUBSIDY FOR COOPERATIVE AND STATE BUILT HOUSING. SIMILAR CONFLICT OF INTEREST IS APPARENT ON SECOND HALF OF GOVT'S HOUSING PACKAGE, I. E; INCREASE OF RENTS ON OLDER HOUSING, WHICH STILL UNDER WORLD WAR II RENT CONTROLS. SF IS AGAINST INCREASES WHILE NON- SOCIALIST PARTIES INSIST THAT INCREASED REVENUES GO TO LANDLORDS, NOT TO GOVT.
3. GOVT'S COMPLEX COMPROMISE PROPOSAL DEPENDED ON SUPPORT OF NON- SOCIALISTS, PARTICULARLY HILMAR BAUNSGAARD'S RADICAL LIBERALS. ON JUNE 8, HOWEVER, BAUNSGAARD, WHO WAS PRIME MINISTER OF PREVIOUS NON- SOCIALIST COALITIONGOVT, PRESENTED A JOINT OPPOSITION ULTIMATUM WHICH WAS CLEARLY UNACCEPTABLE TO GOVT. SDP HAS THEREFORE HAD TO ALTER ITS COMPROMISE PROPOSAL DRASTICALLY IN ORDER TO MAKE IT MORE ACCEPTABLE TO SF, WHICH CONSIDERS HOUSING POLICY A CENTRAL ISSUE OF SOCIAL PRINCIPLE. ALL CONCERNED REMEMBER VIVIDLY THAT SF BROUGHT DOWN LAST SDP GOVT, IN 1967 ON HOUSING ISSUE.
4. REVISED PROPOSAL HAS NOW BEEN AGREED AMONG TOP LEADERS OF SDP AND SF, BUT DISSENT IS ANTICIPATED FROM LOWER PARTY ECHELONS. DEFENSE MINISTER OLSEN EMPHASIZED TO CHARGE JUNE 8 THAT THERE LIMITED OFFICIAL USE

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WAS STRONG OPPOSITION WITHIN SDP TO KNUCKLING UNDER TO SF DEMANDS. HOWEVER, ALTHOUGH PM JORGENSEN HAS PUBLICLY THREATENED NEW ELECTIONS IF SF DOES NOT GO ALONG, SDP PARLIAMENTARY GROUP IS ALMOST UNANIMOUSLY OPPOSED TO ELECTIONS AT THIS TIME. PARLIAMENTARIANS ARE PARTICULARLY CONCERNED ABOUT GOING TO THE COUNTRY NOW WHEN PROGRESS PARTY OF MOGENS GLISTRUP IS STILL SHOWING CON-

SIDERABLE STRENGTH IN PUBLIC OPINIONPOLLS.

5. IT IS CONCEIVABLE, OF COURSE, THAT SF PARTY COUNCIL, WHICH
HAS ALREADY SHOWN ITS RELUCTANCE TO CONTINUE ITS PARLIAMENTARY
SUPPORT FOR JORGENSEN GOVT, COULD DECIDE HOUSING ISSUE WAS A GOOD
OPPORTUNITY TO BRING DOWN THE GOVT. HOWEVER, INASMUCH AS NEW
PROPOSAL GOES A LONG WAY TO MEET SF DESIDERATA, IT APPEARS
THAT TWO- PARTY AGREEMENT LIKELY TO BE REACHED OVER THE WEEKEND
AND CRISIS AVERTED
DUNNIGAN

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